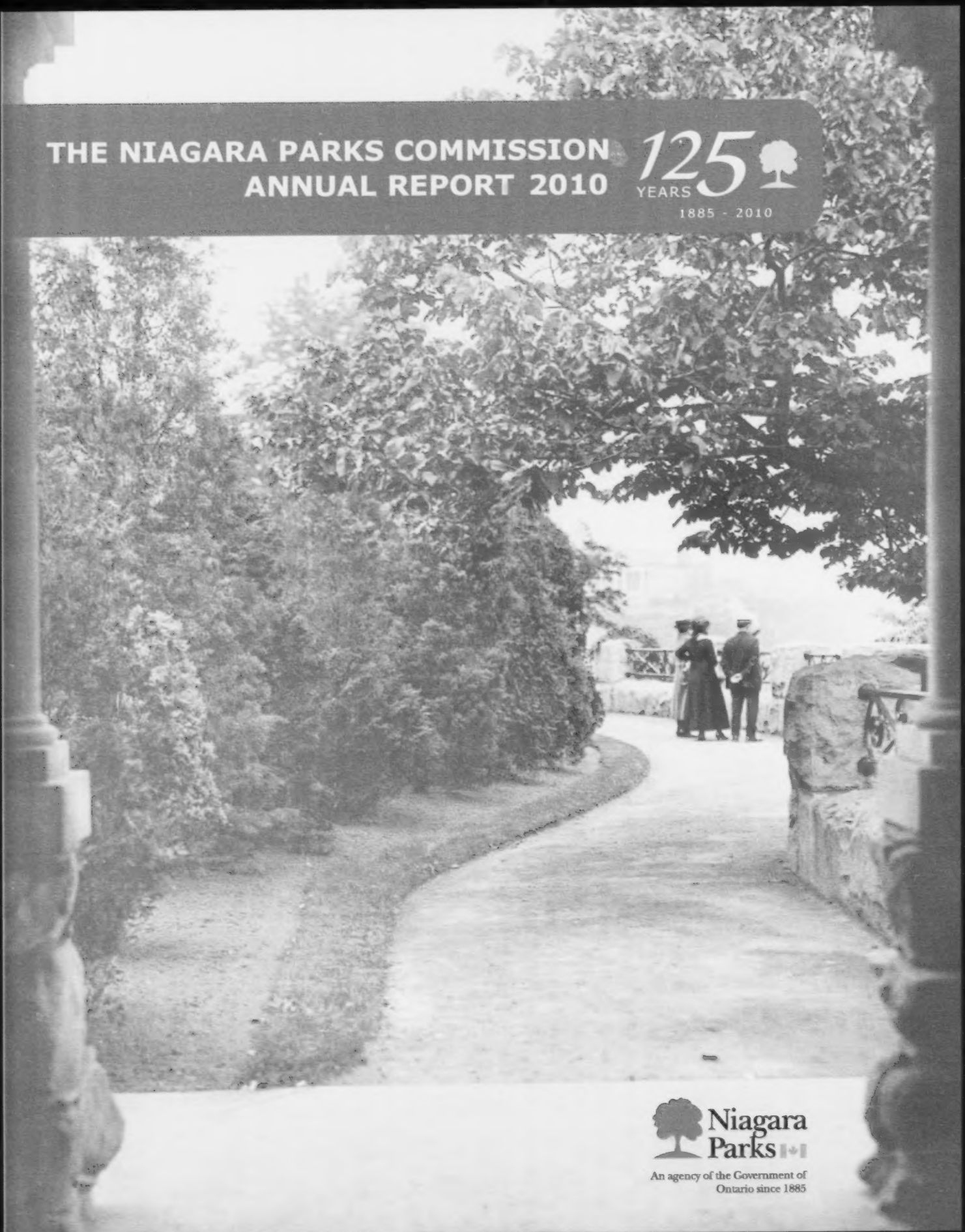
THE NIAGARA PARKS COMMISSION ANNUAL REPORT 2010

125 YEARS
1885 - 2010



Niagara Parks

An agency of the Government of Ontario since 1885

The Niagara Parks Commission

Our Role & Mission

Niagara Falls 1886

Niagara is a region steeped in history and blessed by geography. As steward of one of the world's greatest natural wonders, The Niagara Parks Commission (NPC) plays a major role in maintaining, protecting and showcasing the Falls' grandeur while contributing to the economic growth and success of Niagara and the province.

As a self-funded agency of the provincial government, NPC is responsible for the maintenance of 1,325 hectares of parkland, stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario.

Our mission remains the same as it was in 1885: to preserve and enhance the natural beauty of the Falls and the Niagara River corridor for the enjoyment of visitors while maintaining financial self-sufficiency.

Niagara Parks

An agency of the Government of Ontario since 1885

Ontario

On the cover
Queen Victoria Park Promenade 1920

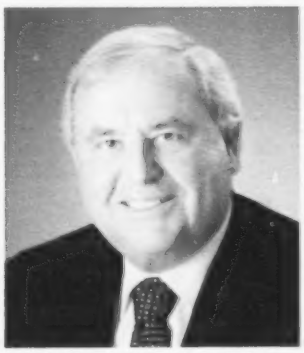
Niagara Falls 2010

The Team **2010**

Fay Booker, *Chair*
April 21, 2010 - June 30, 2011

Janice Thomson, *Vice Chair*
August 10, 2010 - June 14, 2013

Archie Katzman, *Commissioner*
July 13, 1971 - November 29, 2010



Gary F. Burroughs, *Commissioner*
(Nominee of the Town of Niagara-on-the-Lake)
December 1, 2000 - November 30, 2010

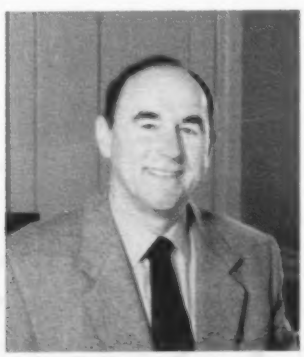
Vincent Kerrio, *Commissioner*
(Nominee of the City of Niagara Falls)
April 18, 2007 - November 30, 2010

Douglas Martin, *Commissioner*
(Nominee of the Town of Fort Erie)
April 18, 2007 - November 30, 2010

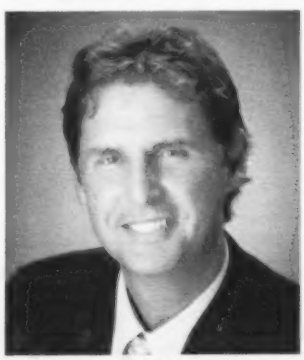
Bob Saracino, *Commissioner*
(Nominee of the Regional Municipality of Niagara)
December 1, 2000 - November 30, 2010

Italia Gilberti, *Commissioner*
July 24, 2006 - November 29, 2010

David Stewart Howes, *Commissioner*
September 6, 2006 - September 5, 2010



Edward Werner, *Commissioner*
September 20, 2006 - November 29, 2010



Fredrick Louws, *Commissioner*
November 15, 2006 - November 29, 2010

David J. Strathern, *Commissioner*
May 30, 2007 - May 29, 2010

Mowat Gate 1917

Chair's Message

The Niagara Parks Commission marked its 125th anniversary during a year of significant change in 2010.

Major strides were made in making the Commission more open, transparent and accountable. For the first time in its history, Commission meetings were opened to the public. The Commission launched a community website and became one of the first organizations in the broader public sector to publicly post the salaries and expenses of its commissioners. NPC initiated a series of public consultations in the communities of Niagara-on-the-Lake, Niagara Falls and Fort Erie to provide information on Niagara Parks' activities and finances and outline its plans for the future.

Those plans included the tender of Commission land in the lower Niagara River for the operation of a boat tour service for which the lease with the Maid of the Mist Steamboat Company expired.

NPC was also pleased to learn it would receive stimulus funding in the amount of $8.9 million from the federal and provincial governments. This funding, combined with an additional $1.3 million provided by the Peace Bridge Authority, will be used to develop new visitor centres and to improve the overall guest experience at NPC's three historic War of 1812 sites: Old Fort Erie, McFarland House and Laura Secord Homestead. All three facilities will play a key role in commemorating the War of 1812 bicentennial, and NPC is appreciative of the support garnered to help upgrade and showcase these important historical venues.

As a self-funded agency of the provincial government, NPC is reliant on revenues it earns from its various facilities and attractions to carry out its significant stewardship responsibilities.

The downturn in the tourism industry, in particular same-day and overnight visitors from the United States, continued to have a significant negative impact on Commission revenues in 2010. Approximately four million Americans made same-day visits to Ontario in 2010, the lowest number since Statistics Canada began tracking these types of trips in 1972. To highlight the significance of this decline, in 1999, a record 20.6 million Americans made same-day visits to Ontario. Overnight visits by Americans also declined to a record low of 5.3 million visits, almost 2.5 million below the peak of 7.75 million visits in 2002.

There are a number of factors associated with the decline, including the high value of the Canadian dollar, the continuing effects of the recession in the United States, and increased border security measures, such as new U.S. passport requirements for returning American citizens as well as foreign visitors.

NPC managed to partially offset the drop in American visitors by focusing on the Canadian market, in particular visitors from the Greater Toronto Area (GTA) and other communities within a day's drive. As a result, visits by Canadian tourists to NPC sites and attractions now represent 56 per cent of NPC's total visitor base. Despite this encouraging trend, Canadian guests traditionally spend less at NPC venues than their American counterparts.

Managing the cost of maintenance and depreciation of three former hydroelectric generating stations that are located on Parks properties also had a significant impact on NPC's financial performance. The full cost of these three facilities is reflected in the accompanying 2010 financial statements.

School of Horticulture Lecture Hall 1950

Mowat Gate 2010

Overall, the Commission posted an operating profit of $5.6 million in 2010. After depreciation and interest expenses were accounted for, NPC experienced a net loss of $3.7 million in 2010. This does not include the costs for maintenance and depreciation of the three decommissioned hydro generating facilities. When factored in, NPC realized a net loss of $9.2 million for the fiscal year.

While there are a number of challenges to address, there are also significant opportunities. The Niagara Parks Commission will continue to preserve and enhance the historical, cultural and environmental significance of the Niagara River Corridor as it has for the past 125 years. This will become more of a focus as the Commission moves forward in the years ahead.

In addition to adding to the enjoyment and appreciation of the natural wonder of Niagara Falls for the millions of people who visit the Parks each year, the Commission provides a myriad of public and community services. It plays a leadership role, working with tourism partners to support and develop the tourism industry in the Region and within Ontario, and it does so without the operational assistance of provincial transfers to support its daily operations.

In April, I was proud to have been appointed Chair of the Commission in its 125th year. I also had the pleasure of welcoming Janice Thomson, Manager of the Niagara-on-the-Lake Chamber of Commerce and Commissioner of the Niagara Falls Bridge Commission, to Niagara Parks as its newest vice chair.

These remain challenging times, and much needs to be accomplished as we work to solidify the economic foundation and public reputation of this important public and tourism asset for Ontario.

I would like to thank all NPC employees for their dedication and commitment to the mission and vision of NPC. I would also like to thank my fellow commissioners for their input and sage advice. Without the support of this team of employees and commissioners, NPC would not be able to provide the unique, engaging and memorable experiences that only Niagara Parks has to offer.

Fay Booker, Chair
The Niagara Parks Commission

School of Horticulture Lecture Hall, Aerial View 2010

2010
Economic Performance

Queen Victoria Park
Perennial Park 1927

The Niagara Parks Commission's greatest challenge has been to effectively manage the sense of balance that is required in its preservation and economic development roles. Since 2001, the tourism economy has fluctuated greatly and as a result, has impacted NPC's ability to generate the revenues required to invest back into its stewardship operations, people and facilities.

Figures from NPC's revenue producing operations for the 2010 fiscal year show revenues were up by 0.3 per cent compared to 2009 yet still off budgeted forecasts for the year by 1.1 per cent. Attraction earnings rose by 1.0 per cent in 2010, an increase over plan by 1.0 per cent, and were reflective of an increase in both adult and child a la carte admission rates, as well as an increase in attendance of 24,542 visitors. Meanwhile revenues at NPC retail facilities meanwhile, were down 2.3 per cent, missing its forecast for growth by 2.3 per cent, while food and beverage operations realized a 5.3 per cent increase in revenues, exceeding budget by 2.7 per cent for the year.

NPC's golf operations were down year over year by 2.2 per cent or 9.5 per cent off plan, despite an increase of 2.7 per cent in the number of rounds played during the year. Intense competition resulted in discounted daily rates, and coupled with the strong Canadian dollar and prolonged heat conditions, negatively impacted golf revenues tremendously.

Attendance at NPC's heritage sites also experienced a decline in visitation of 4.1 per cent in 2010. This loss resulted in a corresponding drop in earnings of 5.4 per cent so that the heritage unit missed its budgeted forecast for the year by 19.6 per cent. This can be explained in part by the early closing of NPC's three main heritage sites to facilitate major renovation projects undertaken in advance of the War of 1812 Bicentennial.

Entering 2010, the Commission was hopeful a tourism renaissance would begin to take hold; instead, the global economic downturn experienced in much of the industrialized economies reduced consumer confidence, job creation and discretionary spending. The resulting impact on tourism visitations to Ontario and Niagara Parks was felt almost immediately.

Statistics provided by the Ministry of Tourism and Culture indicate overall American visitation to Ontario continued to decline in 2010. When compared to the previous year, U.S. border crossings decreased by 3.5 per cent, with a 6.2 per cent drop in same-day entries and 0.9 per cent drop in overnight visits. As a border community, same day visitation from the United States had become a staple and vital source of revenue for the local tourism industry. However, ministry forecasts projected this downward trend to continue in 2011, with same-day U.S. visits expected to decline by another 3.4 per cent.

Many factors influenced U.S. visitation: the strength of the Canadian dollar; the requirement for Americans to obtain passports or other secure documents to cross the border; and the price increase in 2010 for first-time passport holders ($135 for an adult and $105 for those under 16). It is estimated only 30 per cent of Americans have a valid passport.

American visitation was not the only market segment to be impacted by the global economic downturn. Uncertainty in Canada's manufacturing heartland of Ontario also influenced Canadian visitation trends, as pressures in the automotive sector and higher than expected job losses contributed to a slowdown in tourism visits.

A strengthened Canadian dollar also presented a significant challenge; Canadians, particularly those from the near border/GTA area, were turning cross border shopping into a "tourism activity" which negatively impacted returns to NPC and Niagara tourism in general. According to a Statistics Canada Report in February 2011, "on an annual basis, Canadian residents spent $18.1 billion in the United States in 2010 while American travellers spent $7.2 billion on their trips in Canada. Canada's travel deficit with the United States was recorded at $10.8 billion in 2010, an increase of $2.1 billion from 2009."

These results pointed to a continued loss in revenues for the Commission. It also pointed to a decided difference in the preference and habits of NPC's two largest visitor segments. While Canadian tourists dominated, these visitors who are primarily located in the GTA had, in most instances, been to Niagara before, which in turn influenced their purchase and trip motivations. Americans on the other hand, are in most cases, first-time visitors and generally spend more time and invest more in the destination than a Canadian traveller.

In terms of the overseas market, this visitor segment remained modest in size yet significant in terms of the revenue they provided. During 2010, overseas entries to Ontario grew by 6.0 per cent or almost 1.7 million entries. Arrivals increased by 17.0 per cent from Japan, by 4.1 per cent from Germany and by 8.0 per cent from France.

The adoption of an Approved Destination Status (ADS) agreement between Canada and China was an exciting new development for Canadian tourism. NPC had been eagerly awaiting the ratification of this agreement and invested a considerable amount of time and resources on this emerging market since 2005, when discussions on a possible ADS agreement were initiated.

With the adoption of the ADS agreement in June 2010, Chinese travel agents were allowed to advertise and organize "leisure" group tours to Canada. This will result in additional Chinese visitation

Botanical Gardens 2010

to Canada, which will have a positive impact on NPC business.

In August 2010, Tourism and Culture Minister Michael Chan was on hand to help welcome the inaugural group of Chinese leisure visitors to Niagara. The Minister then joined Premier Dalton McGuinty on a trade mission to China, where three specific tourism agreements were reached. These agreements with Jiangsu, Henan and Shandong provinces are expected to translate into an additional 26,000 tourists annually or 130,000 additional visitors to Ontario over the next five years.

Overseas visitors are a vitally important segment for NPC as they generate 37.9 per cent of all retail, 15.5 per cent of all attractions, 12.9 per cent of all attraction passes and 41.4 per cent of all food and beverage sales during the fiscal year.

While growth projections were encouraging, the total number of overseas visitors expected is still minor in comparison to Canadian and American visitation coming from within a day's drive of the destination.

2010 Fast Facts

- NPC revenues declined by $354,000, reaching $72 million for the year. After expenses and depreciation were factored in, the Commission experienced a net operational loss of $3.7 million. After allowing for the net increase in power plant obligations for the year, NPC realized a net loss of $9.2 million for the fiscal year.

- Overall operating expenses for the 2010 fiscal year totalled $66.4 million, including approximately $13 million used to maintain the gardens, roadways and other infrastructure of the park and its lands located along the Niagara River.

- 2010 was an exciting time within NPC's heritage unit, as both the federal and provincial governments pledged infrastructure funding support in the amount of $8.94 million ($4.47 million from each level) to support the rehabilitation and construction of new facilities at Old Fort Erie, Laura Secord Homestead and McFarland House.

- Add to this an additional $1.3 million in support for Old Fort Erie provided by the Peace Bridge Authority and NPC is well positioned to showcase these venues as part of planned War of 1812 Bicentennial celebrations.

- With 1,346 seasonal and 264 full-time staff, NPC was one of the Niagara Region's largest employers, circulating $33.5 million back into the Niagara Region economy in payroll alone.

- In 2010, NPC remitted over $5.3 million to the province in combined Retail and Harmonized Sales Taxes.

- Sales by NPC during the fiscal year indicated U.S. visitors account for 42.6 per cent of all retail, 45.5 per cent of admissions, 62.9 per cent of attraction pass and 39.1 per cent of food and beverage sales generated by the Commission. By comparison, Canadian tourists accounted for only 19.4 per cent of retail sales, 38.8 per cent of admissions, 24.0 per cent of attraction pass sales and 19.3 per cent of food and beverage sales.

- According to NPC's tracking study, 31 per cent of all Parks visitors came from the U.S. While this was an increase of two percentage points over 2009, it still lagged far behind the 65 per cent of U.S. visitors reported in 2004.

- According to the tracking study, NPC's largest visitor base, the Canadian market also experienced a decline in 2010, as Canadian tourists represented 56 per cent of all Parks visitors, a drop of five percentage points over 2009.

- International visitors accounted for 13 per cent of all Parks visits in 2010, an increase of 3 per cent, over 2009.

- Total attendance in 2010 to NPC attractions and heritage sites, including rounds of golf and ridership on NPC's buses and incline railway, was 4.7 million visitors compared to 4.5 million in 2009.

Table Rock 1860's

Blasting Table Rock 1935

November, 2009

6th Annual Schools Marathon Challenge

NPC, along with The Niagara Falls International Marathon, announced that Mary Ward Catholic School had won the sixth annual Schools Marathon Challenge with 80 students taking part in the 2.195 km race during the Niagara Falls International Marathon. This program is designed for school-aged children and supports the mandate for ACTIVE2010 – a comprehensive strategy to increase participation in sport and physical activity throughout Ontario.

CAA Winter Festival of Lights

The annual CAA Winter Festival of Lights, a family tradition that attracts more than one million local residents and visitors, ran through the holiday season.

December, 2009

Olympic Torch Relay

Queen Victoria Park was designated an official Olympic Torch Relay site, attracting several thousand area residents for a cauldron lighting ceremony and to cheer on area residents who carried the torch during the Niagara leg of the cross-country journey.

January, 2010

Staff Donate to Earthquake Victims

NPC staff raised $16,677 in donations to help Haiti's earthquake victims. This was matched by NPC and the federal government, generating $66,000 in earthquake relief funding.

OPSEU Contract Agreement Reached

NPC and its Parks employees, members of the Ontario Public Service Employees Union (OPSEU) Local 217, announced a new four-year contract agreement. The contract provided for wage and salary increases of 5.5 per cent over the course of the contract.

February, 2010

5th Annual Bug-a-licious Insect Food Festival

The fifth annual Bug-a-licious Insect Food Festival was held at the Butterfly Conservatory, featuring a new insect cooking competition between Niagara College Chef Jeff Stewart and guest chefs. Visitors were invited to sample dishes of insects in an event that had become increasingly popular with both children and adults.

Annual Chili Cook-Off

The Niagara Parks Culinary Team continued to make NPC proud, winning third place in the People's Choice Award and Best Display Award at the annual St. Catharines Downtown Chili Cook-Off. The team also won the People's Choice Award for the third consecutive year at the 2010 Niagara Falls Mayor's Chili Cook-Off. The winning recipe was created by Mike Deroche of Edgewaters Tap & Grill.

Niagara Parks Police Constable Takes Part in Vancouver Games

Niagara Parks Police Constable Robert Rittner enjoyed the experience of a lifetime when he was called upon to work at the Vancouver 2010 Winter Games. He patrolled during the women's hockey games and worked during the Vancouver Games' opening ceremonies.

March, 2010

Funding Commitment for Heritage Sites

Federal and provincial stimulus funding of $8.94 million was announced by Federal Justice Minister Rob Nicholson and MPP Kim Craitor. With the funding, a new visitors' centre will be built at Old Fort Erie and improvements made to the Fort, Laura Secord Homestead, and McFarland House. The three historic sites will be prominently featured in the War of 1812 Bicentennial celebrations.

Journey Behind The Falls 2010

April, 2010

Friends of the Niagara Glen Earth Day Event

Friends of Niagara Parks, Niagara Glen, group hosted an Earth Day event at the Niagara Glen to encourage sustainable activities within this designated nature reserve, including "Leave No Trace" practices. The Glen is a treasure trove of natural beauty with about 490 species of vulnerable plants and animals - a number of which are listed as "at risk" and "rare" in the province.

School of Horticulture Students Recognized

Niagara Parks School of Horticulture students were featured in the April edition of Landscape Trades magazine in a story about their five-week trip to Japan in 2009 to participate in the construction of the award-winning $1.8 million 3D exhibit entitled "The Man who Planted Trees." The exhibit was part of a partnership with Mosaiculture International of Montreal at the International Exposition in Hamamatsu, Japan.

May, 2010

Falls Fireworks Series

Canada's longest-running fireworks series lit up the night sky. The series featured fireworks displays every Friday, Sunday and holiday through the season. In 2010, for the first time, additional fireworks displays took place on Wednesdays in July and August.

High Angle River Team Training

The Niagara Parks Police High Angle River Team and members of the Niagara Falls Fire Department held annual training exercises along the Niagara Gorge wall. Members of the team also performed training drills using the rescue car at the Whirlpool Aero Car.

June, 2010

Fenian Raids at Old Fort Erie

For two days in June, Old Fort Erie was the site of battle re-enactments of the Fenian Raids of June, 1866. The re-enactments were opened by the Honourable David Onley, Lieutenant Governor of Ontario.

Live Television Broadcasts

CityTV's Breakfast Television, the most-watched morning show in the GTA, hosted a broadcast from Oakes Garden Theatre. As well, CP24 broadcast live from the Niagara Glen and showcased a cooking demonstration with Chef Elbert Wiersema, as well as conducted interviews with representatives from NPC and partners from the Whirlpool Jet Boats and Niagara Wine Tours International.

Special Constable Status Agreement Reached

The Niagara Parks Police Service and the Regional Municipality of Niagara announced a new five-year special constable status agreement, allowing for the continued stand-alone operations of the Niagara Parks Police Service (NPPS). Formed in 1887, the NPPS is one of Ontario's oldest police services and derives its policing powers from Section 53 of The Police Services Act and by virtue of its special agreement with the Niagara Police Services Board.

July, 2010

Annual Battle of Chippawa Service

NPC and members of the Royal Canadian Legion, Chippawa Branch 396, gathered during the annual Battle of Chippawa commemorative service to honour those who served and lost their lives. NPC Chair Fay Booker delivered opening remarks, followed by a special presentation made by NPC Historian, Sherman Zavitz. Fought on July 5, 1814, the Battle of Chippawa was the opening engagement of the Niagara campaign, the longest and bloodiest military operation of the War of 1812.

Queen Victoria Park Promenade 1921

August, 2010

Approved Destination Status Reached Between Canada and China

The Vice Chair of the China National Tourism Authority, Dr. Du Jiang, visited Elements on the Falls restaurant at Table Rock. Dr. Jiang made his visit in what is considered the first wave of Chinese visitors that will be coming to Canada following the adoption of Approved Destination Status between Canada and China.

125th Anniversary Walking Tours

A series of walking tours through Queen Victoria Park by NPC Historian Sherman Zavitz were conducted to help mark the 125th anniversary of NPC.

Boat Tour RFP Issued

NPC issued a Request for Proposal (RFP) for the boat tour operations in the lower Niagara River. This is the first ever tendering of this operation by NPC.

September, 2010

Whirlpool Aero Car Recognized by Canadian Society of Civil Engineers

Leonardo Torres Quevedo, of the Asociación de Ingenieros de Caminos, Canales y Puertos de España (AICCP), the grandson and namesake of the famous Spanish engineer who designed the Whirlpool Aero Car (formerly the Spanish Aero Car), was in Niagara Falls to sign a landmark civil engineering partnership agreement between Canada and Spain. As part of the signing ceremony, a commemorative plaque in honour of the Aero Car was unveiled, as the Aero Car was recognized by the Canadian Society of Civil Engineers as an International Historic Civil Engineering Work.

School of Horticulture Gardening Seminars

Curators and instructors from the Niagara Parks School of Horticulture offered an array of tips, hands-on practice, and fundamental gardening skills during a series of public gardening seminars held at the Botanical Gardens.

October, 2010

NPC Hosted Global National News

Global National News hosted a live broadcast from the Maid of the Mist Marketplace. The live broadcast featured an interview with Roger Woodward, who in 1960 survived an accidental plunge over the falls wearing only a life jacket.

West 49 Skateboarding Competition

The West 49 Take the Cake skateboarding competition attracted 13 of the world's best skateboarders to NPC's Oakes Garden Theatre to compete for $100,000 in prize money, the largest cash purse in Canadian skateboarding history.

Rare Daguerreotype Photograph Display

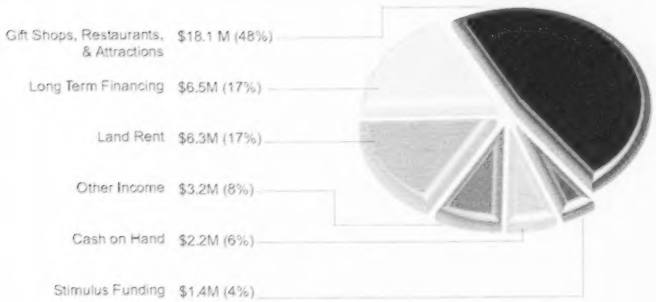
A copy of the first photograph ever taken of Niagara Falls and of Canada in 1840 by Hugh Lee Pattinson of England was lent to the Commission for its 125th anniversary. The original Daguerreotype photographs were discovered 13 years ago in the library of England's Newcastle University.

Floral Clock Aerial View, 2010

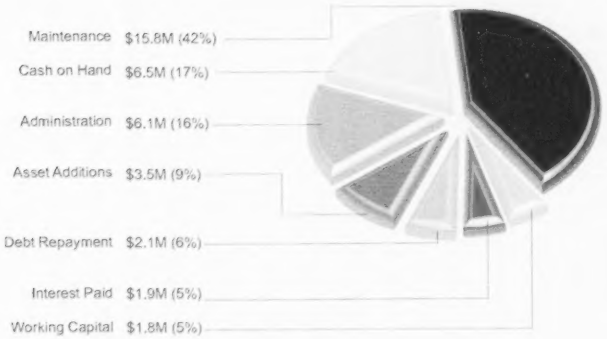
Formal Gardens 2010

Business Climate **2010**

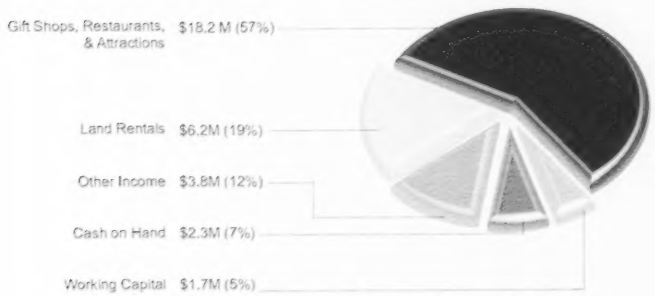
Where Commission Dollars Came From 2010 ($Million)


Gift Shops, Restaurants, & Attractions $18.1 M (48%)
Long Term Financing $6.5M (17%)
Land Rent $6.3M (17%)
Other Income $3.2M (8%)
Cash on Hand $2.2M (6%)
Stimulus Funding $1.4M (4%)

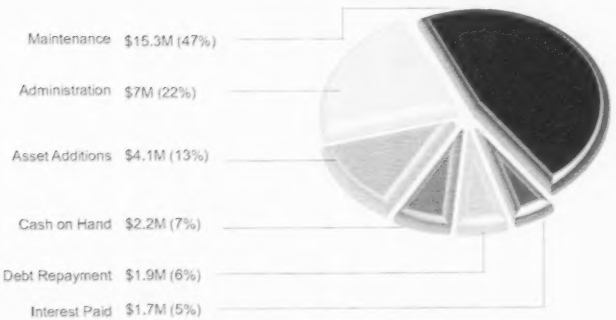
Where Commission Dollars Went 2010 ($Million)



Where Commission Dollars Came From 2009 ($Million)


Gift Shops, Restaurants, & Attractions $18.2 M (57%)
Land Rentals $6.2M (19%)
Other Income $3.8M (12%)
Cash on Hand $2.3M (7%)
Working Capital $1.7M (5%)

Where Commission Dollars Went 2009 ($Million)



Comparative Performance Gift Shops, Restaurants, and Attractions ($`000)

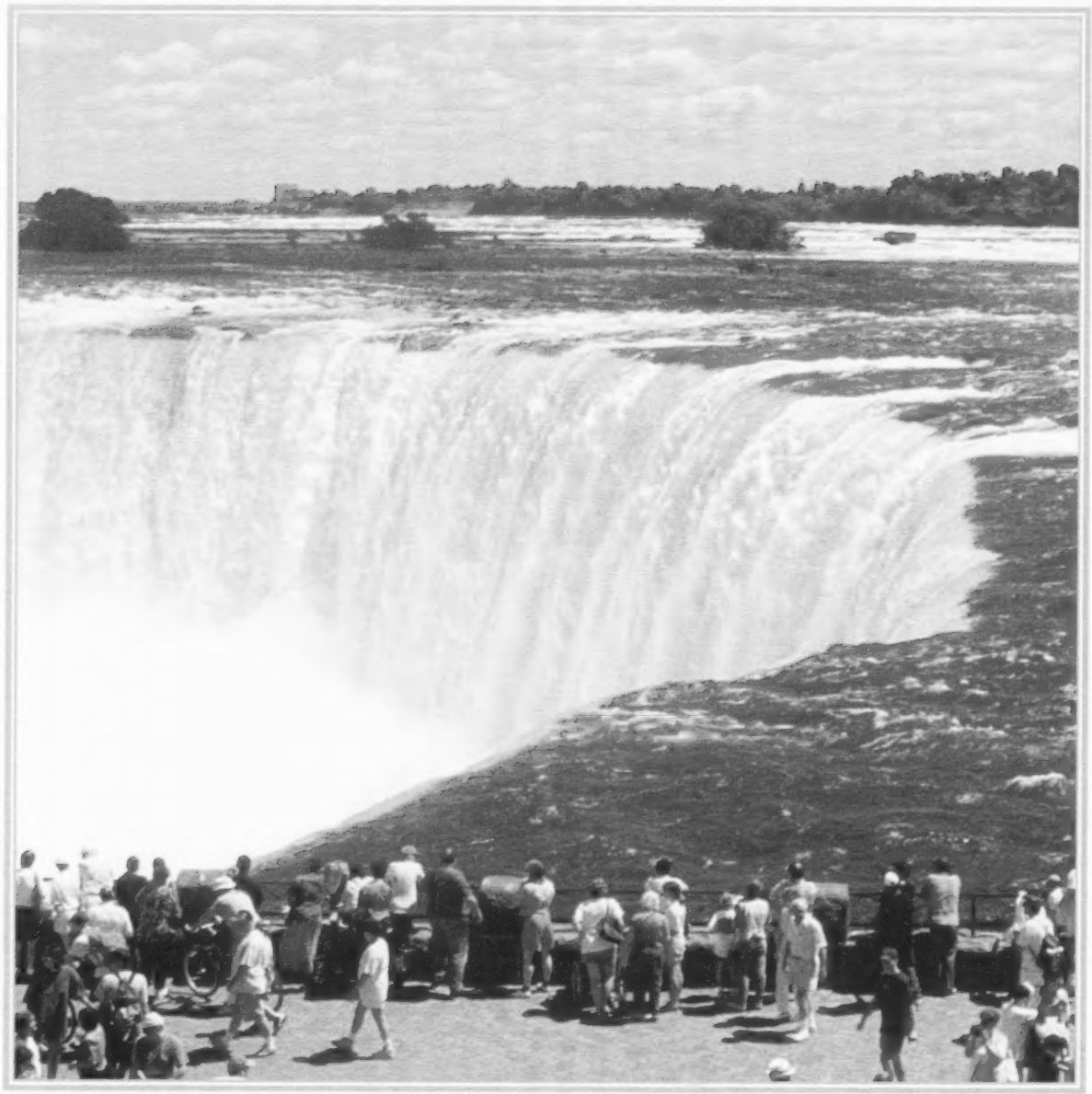
	2010	% of Sales	2009	% of Sales
Income	$62,546	100	$62,346	100
Cost of Goods Sold	10,691	17	10,475	17
Gross Profit	$51,855	83	$51,871	83
Operating Expenditures	33,802	54	33,613	54
Net Income Before Administrative Overhead and Depreciation	$18,053	29	$18,258	29

NPC Attendance **2010**

Table Rock 1848, sketch

	2010	2009	Increase or (Decrease)
Paid Attractions			
Maid of the Mist Elevator	1,632,549	1,505,233	127,316
Journey Behind the Falls	808,896	833,603	(24,707)
Butterfly Conservatory	287,459	315,463	(28,004)
Whirlpool Aero Car	111,488	112,768	(1,280)
White Water Walk	244,302	232,588	11,714
Sir Adam Beck	17,540	18,981	(1,441)
Niagara's Fury	323,448	382,504	(59,056)
Total	**3,425,682**	**3,401,140**	**24,542**
Golf			
Oak Hall Par 3 Golf Course	2,472	4,191	(1,719)
Whirlpool Golf Course	34,177	34,443	(266)
Legends on the Niagara	61,652	57,046	4,606
Total	**98,301**	**95,680**	**2,621**
Historic Sites			
Old Fort Erie	13,890	14,144	(254)
Laura Secord Homestead	5,485	6,323	(838)
Mackenzie Printery	3,245	2,902	343
McFarland House	2,808	3,158	(350)
Total	**25,428**	**26,527**	**(1,099)**
Transportation			
Peoplemovers	456,446	338,908	117,538
Falls Incline Railway	781,092	728,479	52,613
Total	**1,237,538**	**1,067,387**	**170,151**
TOTAL	**4,786,949**	**4,590,734**	**196,215**

Niagara Parks Commission
2010 Financial Statements



View from Table Rock Complex 2010

Scenic Tunnels Opening 1945

THE NIAGARA PARKS COMMISSION MANAGEMENT REPORT

October 31, 2010

The accompanying financial statements are the responsibility of the management of The Niagara Parks Commission.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Commission maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management to discuss the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Commission, the Minister of Tourism and Culture and the Auditor General. Grant Thornton LLP has full and free access to the records of the Commission.

Robert J. McIlveen
Interim General Manager
December 22, 2010

John Wallace
Controller
December 22, 2010

AUDITORS' REPORT

To The Niagara Parks Commission, the Minister of Tourism and Culture and the Auditor General

We have audited the balance sheet of The Niagara Parks Commission as at October 31, 2010 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at October 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at October 31, 2009 and for the year then ended were audited by other auditors who expressed an opinion on those statements in their report dated December 18, 2009.

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants
Port Colborne, Ontario
December 22, 2010

BALANCE SHEET October 31, 2010
STATEMENT 1

	2010	2009
	(in thousands of dollars)	
Assets		
Current		
Cash	**$ 6,502**	$ 2,161
Accounts receivable	**3,208**	2,036
Inventories		
Saleable merchandise	**5,135**	5,129
Maintenance and other supplies	**1,426**	1,560
Prepaid expenses	**487**	386
	16,758	11,272
Fixed assets (Notes 3 and 6)	**150,452**	154,491
Other	**49**	56
	$ 167,259	$ 165,819
Liabilities and Equity		
Current		
Accounts payable	**$ 6,088**	$ 5,467
Accrued payroll	**2,070**	2,214
Deferred income (Note 4)	**2,285**	3,471
Current portion of long term financing (Note 6)	**1,390**	2,112
	11,833	13,264
Deferred Stimulus Funding (Note 5)	**1,349**	
Long term financing (Note 6)	**34,956**	29,845
Post-employment benefits (Note 7)	**3,759**	3,600
Power Plant stabilization obligation (Note 9)	**26,727**	21,243
Equity (Note 11) (Statement 2)	**88,635**	97,867
	$ 167,259	$ 165,819

Commitments (Notes 9 and 12)

Contingencies (Notes 9 and 13)

On behalf of the Commission

Chair

Vice Chair

See accompanying notes to the financial statements.

STATEMENT OF EQUITY for the year ending October 31, 2010

STATEMENT 2

	2010	2009
	(in thousands of dollars)	
Equity, beginning of year	**$ 97,867**	$ 123,079
Net loss (Statement 3)	**(9,232)**	(3,969)
Power Plant stabilization adjustment (Note 9)		(21,243)
Equity, end of year	**$ 88,635**	$ 97,867

See accompanying notes to the financial statements.

STATEMENT OF OPERATIONS for the year ending October 31, 2010

STATEMENT 3

	2010	2009
	(in thousands of dollars)	
Income		
Gift shops, restaurants and attractions	**$ 62,546**	$ 62,346
Land rent	**6,297**	6,213
Commissions, rentals and fees	**2,655**	2,710
Premium on United States funds – net	**314**	307
Gain on disposal of fixed assets – net	**2**	665
Sundry income	**226**	153
	72,040	72,394
Expenses		
Gifts shops, restaurants and attractions		
Cost of goods sold	**10,691**	10,475
Operating expenses	**30,214**	29,512
Maintenance	**12,968**	12,393
Administrative and police	**8,948**	9,884
Marketing and promotion	**3,588**	4,101
	66,409	66,365
Net income for the year before undernoted items	**5,631**	6,029
Other items		
Interest expense – net (Note 14)	**1,878**	1,719
Depreciation (Note 15)	**7,501**	8,279
	9,379	9,998
Net loss from operations	**(3,748)**	(3,969)
Net increase in Power Plant obligation (Note 9)	**5,484**	
Net loss	**$ (9,232)**	$ (3,969)

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOW for the year ending October 31, 2010

STATEMENT 4

	2010	2009
	(in thousands of dollars)	
Operating activities		
Net loss	**$ (9,232)**	$ (3,969)
Charges against income not requiring an outlay of funds		
Post-employment benefits	**343**	369
Depreciation	**7,501**	8,279
Amortization of franchise fee	**7**	7
Gain on disposal of fixed assets – net	**(2)**	(665)
Increase in Power Plant obligation liability – net	**5,484**	
	4,101	4,021
Net change in non-cash working capital balances related to operations (Note 16)	**(1,854)**	1,677
Funds provided by operating activities	**2,247**	5,698
Investing activities		
Fixed asset acquisitions (Note 16)	**(3,462)**	(4,086)
Proceeds on sale of fixed assets	**2**	685
Funds used by investing activities	**(3,460)**	(3,401)
Financing activities		
Net increase in deferred Stimulus Funding	**1,349**	
Net increase (decrease) in long term financing	**4,389**	(2,062)
Cash outlay related to post-employment benefits	**(184)**	(329)
Funds acquired (used) by financing activities	**5,554**	(2,391)
Increase (decrease) in cash position	**4,341**	(94)
Cash position		
Beginning of year	**2,161**	2,255
End of year	**$ 6,502**	$ 2,161

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ending October 31, 2010

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as a "Government Business Enterprise" by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

2. Significant accounting policies

Basis of accounting

The financial statements of the Commission are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Revenue recognition

Income from gift shops, restaurants and attractions are recognized when merchandise has been transferred or services have been rendered. Income from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

Inventories

Inventories of saleable merchandise are valued at the lower of average cost and net realizable value.

Fixed assets

All fixed assets are recorded at cost. Depreciation has been recorded using the straight-line method, with rates from 2.5 to 14 percent for buildings, roadways and structures, 10 to 33 percent for equipment and furnishings and from 8 to 33 percent for vehicles.

Franchise fee

A franchise fee is classified as an other asset and is being amortized on a straight-line basis over ten years.

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains and losses on translation are reflected in net earnings of the period.

Capitalized interest

The Commission capitalizes an amount of interest on all funds expended for those capital works in progress and financed via long term financing.

Financial instruments

The Commission has elected the following balance sheet classifications with respect to its financial assets and financial liabilities:

2. Significant accounting policies (continued)

Cash is classified as "assets held for trading" and is measured at fair value.

Accounts receivable are classified as "loans and receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.

Accounts payable and accrued liabilities, other liabilities and long term financing are classified as "other financial liabilities" and are initially measured at fair value.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Fixed assets

			2010	2009
				(in thousands of dollars)
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land	$ 14,359		**$ 14,359**	$ 14,359
Land improvements	17,135		**17,135**	17,135
Buildings, roadways and structures	191,385	$82,027	**109,358**	113,206
Equipment and furnishings	40,802	34,365	**6,437**	8,018
Vehicles	9,329	8,135	**1,194**	1,243
	273,010	124,527	**148,483**	153,961
Capital works in progress	1,969	-	**1,969**	530
	$ 274,979	$ 124,527	**$ 150,452**	$ 154,491
Equipment under capital lease included above	$ 69	$ 21	**$ 48**	$ 55

4. Deferred income

	2010	2009
		(in thousands of dollars)
Defunct power stations funding (Note 9)	**$ 507**	$ 1,517
Peace Bridge Authority sale proceeds (Note 10)	**1,304**	1,351
Other	**474**	603
	$ 2,285	$ 3,471

5. Deferred Stimulus Funding

The Commission has secured stimulus grant funding to renovate its heritage sites in the amount of $ 8.9 million and as of October 31, 2010 approximately $ 1.4 million was spent on these projects. The deferred funding will be amortized to income at the same rate as the related capital assets are depreciated.

6. Long term financing

	2010	2009
		(in thousands of dollars)
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	**$29,700**	$30,783
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	**6,500**	
Unsecured fixed rate term loan requiring principal payments of $ 1,000,000 per annum, bearing interest at 4.01% through to December, 2009, repaid during the year		1,000
The Commission has an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 1,076 to August, 2011, secured by equipment with a net book value of $ 31,574	**9**	22
The Commission has an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 659 to May, 2011, secured by equipment with a net book value of $ 16,599	**5**	13
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 10)	**132**	139
	36,346	31,957
Less: portion due within one year	**1,390**	2,112
	$34,956	$29,845

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2011	$1,390
2012	1,455
2013	1,529
2014	1,606
2015	1,687

7. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration at the time of termination, for every year of full time service provided to the Commission to a maximum of 26 weeks. The accrued benefit liability as at October 31, 2010 is $ 3,759,218 (2009 - $ 3,600,464).

As a result of an actuarial valuation conducted in 2010 for the year ending October 31, 2010, it was determined that an actuarial gain of $ 140,884 existed. The actual obligation as at October 31, 2010 is $ 3,618,334 (2009 - $ 3,357,976). Since the actuarial gain is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. This valuation was completed for the year ending October 31, 2010.

Defined benefit plan information	**2010**	2009
		(in thousands of dollars)
Employee benefit plan assets	**$ Nil**	$ Nil
Employee benefit plan liabilities	**3,759**	3,600
Employee benefit plan deficit	**$ 3,759**	$ 3,600
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	**$ 3,600**	$ 3,560
Expense for the year	**343**	369
Benefits paid during the year	**(184)**	(329)
Benefit obligation, end of year	**$ 3,759**	$ 3,600

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 5%.

Salary levels – future salary and wage levels were assumed to increase at 3% per annum.

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of $ 1,776,084 (2009 - $ 1,582,962), are included in the administrative and police expense on the Statement of Operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the Statement of Operations.

8. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000 provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on October 31, 2014. As at October 31, 2010, $ Nil has been drawn upon for all credit facilities (2009 – $ Nil).

9. Transfer of defunct power stations

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these Power Generating Stations will require a significant infusion of funds that is beyond its capacity to meet. As at October 31, 2010, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

An asset retirement obligation of $ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the report received from the Ventin Group. The report also identified contingency costs of approximately $ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. It is estimated that the work may commence in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 21,680,725 as at October 31, 2010. This is an increase of $ 437,400 from 2009 and has been recorded in the Statement of Operations.

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report known as the Hatch group study identified an additional $ 6,305,000 for external/infrastructure work that is required. The second study was completed by the Quartek group which identified an additional $ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of $ 7,565,000. As previously mentioned it is estimated this work will not commence until 2016 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2% respectively. This equates to a present value of $ 6,159,189 as of October 31, 2010.

9. Transfer of defunct power stations (continued)

Current year increase in present value of original obligation	$ 437,400
Present value of additional obligation related to additional studies	6,159,189
Actual work performed in 2010	(1,112,273)
Net increase in Power Plant stabilization obligation	$ 5,484,316

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately $ 1,043,000 of the funding was utilized for this purpose during the current year.

In addition, the Commission has secured $ 425,000 funding from the Federal government to assist in the "stabilizing and mothball" process of the TPGS specifically. To date, approximately $ 202,000 of the funding has been received and utilized for this purpose during the current year.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the statement of operations and are included in the maintenance expense.

10. Niagara Parks Commission and Peace Bridge Authority land transfer obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred income on the Balance Sheet. To date approximately $ 100,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 was spent from these proceeds on the Jarvis Street property maintenance. The $ 100,000 spent on the capital works project will be amortized to income at the same rate as the related capital assets are depreciated.

11. Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund.

12. Commitments

The Commission has committed to approximately $ 8,150,000 in capital works projects in the next year, of which $ 7,500,000 is related to renovation of the heritage sites being funded by a Stimulus grant.

13. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

14. Interest expense

	2010	2009
		(in thousands of dollars)
Interest income	$ (44)	$ (23)
Loan interest expense	1,922	1,742
	$ 1,878	$ 1,719

15. Depreciation

	2010	2009
		(in thousands of dollars)
Depreciation of income producing assets	$ 4,244	$ 4,850
Depreciation of non-income producing assets	3,257	3,429
	$ 7,501	$ 8,279

16. Statement of cash flows

	2010	2009
		(in thousands of dollars)
Changes in working capital components include:		
Accounts receivable	$ (1,172)	$ (36)
Inventories	128	(619)
Prepaid expenses	(101)	(83)
Accounts payable and accrued payroll	477	(689)
Deferred income	(1,186)	3,104
	$ (1,854)	$ 1,677

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of $ 3,462,000 (2009 - $ 4,232,000) of which $ Nil (2009 - $ 146,000) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of $ 3,462,000 (2009 - $ 4,086,000) were made to purchase fixed assets.

	2010	2009
		(in thousands of dollars)
Interest received	$ 44	$ 23
Interest paid	$ 1,721	$ 1,820

17. Financial instruments and risk management

Fair value

Fair value information with respect to long term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 6 to the financial statements.

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of $ 489,657 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ 1.02 Canadian. The Commission realizes approximately 13.26% (2009 – 10.89%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

18. Operating leases

The Commission leases vehicles, equipment and premises under operating leases expiring in various years through 2012. The total obligation under operating leases amounts to approximately $ 520,000.

Future payments for each of the next two years are as follows:

	(in thousands of dollars)
2011	$ 301
2012	220

19. New reporting standards

For the 2011 fiscal year the Commission will be adopting the Public Sector Accounting Board standards (PSAB) or the International Financial Reporting Standards (IFRS). Currently the Commission is awaiting direction from the Province of Ontario as to which reporting framework will be adopted. The 2010 fiscal year amounts will be restated in accordance with the reporting framework adopted.

20. Comparative figures

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.